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## SPEECH OF MR. CLAY,

OF KENTUCKY.

### On the Sub-Treasury Bill.

IN SENATE--January 20, 1840.

Mr. CLAY rose and said: I have been desirous, Mr. President, before the passage of this bill, not to make a speech, but to say a few words about it. I have come to the Senate to-day unaffectedly indisposed, from a serious cold, and am in no condition to address this body; but I regard this bill as so pregnant with injurious, and dangerous, and direful consequences, that I cannot reconcile it to a sense of duty to allow it finally to pass without one last, although unavailing, effort against it. I am aware that the decree for its passage has gone forth--a decree of urgency, too, urgent that a short postponement of the consideration of the measure, to admit of the filling of vacant seats in the Senate by legislative bodies now in session--seems which have remained vacant, not by the fault of the people, but from the inability of those bodies to agree in the choice of Senators, has been refused by the vote of the Senate--refused, scornfully refused, although, whether the bill be transmitted two or three weeks sooner or later to the House of Representatives, owing to its unorganized condition, and its known habits of business, will not expedite its passage a single hour! Refused by the concurrence of Senators who, not representing on this subject the present sentiments and opinions of their respective States, seem unwilling to allow the arrival of those who would fully and fairly represent them!

It is remarkable, sir, that, judging from the vote on the engrossment of the bill for a third reading, it is to be hurried through the Senate by less than a majority of the body. And if the two Senators from Tennessee had clung to their seats with the same tenacity with which other Senators adhere to theirs, who have been instructed to vote against the bill, and are violating their instructions; and if the Senate were full, the vacant seats being filled, as we have every reason to believe they will be filled, there would be a clear majority against the passage of the bill. Thus is the momentous measure, which both its friends and foes unite in thinking will exert a tremendous, if not revolutionary, influence upon the business and concerns of the country--a measure which has so long and so greatly distracted and divided our councils, and against which the people have so often and so signally pronounced their judgement, to be forced through the Senate of the United States.

Mr. President, it is no less the duty of the statesman than the physician to ascertain the exact state of the body to which he is minister before he ventures to prescribe any healing remedy. It is with no pleasure, but with profound regret, that I survey the present condition of our country. I have rarely, I think never, known a period of such universal and intense distress. The general government is in debt, and its existing revenue is inadequate to meet its ordinary expenditure. The states are in debt, some of them largely in debt, inasmuch that they have been compelled to resort to the ruinous expedient of contracting new loans to meet the interest upon prior loans, and the people are surrounded with difficulties, generally embarrassed, and involved in debt. Whilst this is, unfortunately, the general state of the country, the means of extinguishing this vast mass of debt are in constant diminution. Property is falling in value--all the great staples of the country are declining in price, and destined, I fear, to further decline. The certain tendency of this very measure is to reduce prices. The banks are rapidly decreasing the amount of their circulation. About one-half of them, extending from New Jersey to the extreme Southwest, have suspended specie payments, presenting an image of a paralytic, one moiety of whose body is stricken with palsy. The banks are without a head; and, instead of union, concert, and co-operation between them, we behold jealousy, distrust, and enmity. We have no currency whatever possessing uniform value throughout the whole country. That which we have, consisting almost entirely of the issues of banks, is in a state of the utmost disorder, inasmuch that it varies, in comparison with the specie standard, from par to fifty per cent discount. Exchanges, too, are in the great-

est possible confusion, not merely between distant parts of the Union, but between cities and places in the same neighborhood. That between our great commercial marts of New York and Philadelphia, within five or six hours of each other, vacillating between seven and ten per cent. The products of our agricultural industry are unable to find their way to market from the want of means in the hands of traders to purchase them, or from the want of confidence in the stability of things. Many of our manufactories stopped or stopping especially in the important branch of woollens, and a vast accumulation of their fabrics on hand, owing to the destruction of confidence and the wretched state of exchange between different sections of the Union.

Such is the unexaggerated picture of our present condition. And amidst the dark and dense cloud that surrounds us, I perceive not one gleam of light. It gives me nothing but pain to sketch the picture. But duty and truth require that existing diseases should be fearlessly examined and probed to the bottom. We shall otherwise be utterly incapable of conceiving or applying appropriate remedies. If the present unhappy state of our country had been brought upon the people by their folly and extravagance, it ought to be borne with fortitude, and without complaint, and without reproach. But it is my deliberate judgment that it has not been--that the people are not to blame--and that the principal causes of existing embarrassments are not to be traced to them. Sir, it is not my purpose to waste the time or excite the feelings of members of the senate by dwelling long on what I suppose to be those causes. My object is a better, a higher, and I hope a more acceptable one--to consider the remedies proposed for the present exigency. Still, I should not fulfil my whole duty if I did not briefly say, that in my conscience, I believe our pecuniary distresses have mainly sprung from the refusal to re-charter the late Bank of the United States, the removal of the public deposits from that institution; the multiplication of state banks in consequence; and the Treasury stimulus given to them to extend their operations; the bungling manner in which the law depositing the surplus treasure with the states, was executed; the Treasury Circular; and although last, perhaps not least, the exercise of the power of the veto on the bill for distributing among the states, the net proceeds of the sales of the public lands.

What, Mr. President, is needed, at the present crisis, to restore the prosperity of the people? A sound local currency, mixed with a currency possessing uniform value throughout the whole country; a re-establishment of regular exchanges between different parts of the union; and a revival of general confidence. The people want, in short, good government at Washington; the abandonment of rash and ruinous experiments; the practice here of economy; and the pursuit of the safe lights of experience. Give us these, and the growth of our population, the enterprise of our people, and the abundance, variety, and richness of the products of our soil and of our industry, with the blessing of Providence, will carry us triumphantly through all our complicated embarrassments. Deny these--persevere in a mal-administration of government--and it is in vain that the bounties of Heaven are profusely scattered around us.

There is one man--and I lament to say, from the current of events and the progress of Executive, and party power--but one man, at present in the country, who can bring relief to it, and bind up the bleeding wounds of the people. He, of all men in the nation, ought to feel as a parent should feel, most sensibly, the distresses and sufferings of his family. But, looking to his public course and his official acts, I am constrained to say that he surveys unconcerned the wide-spread ruin and bankruptcy and wretchedness before him, without emotion and without sympathy. Whilst all the elements of destruction are at work, and the storm is raging, the Chief Magistrate, standing in the midst of his unprotected fellow citizens, on the distinguished position of honor and confidence to which their suffrages have devoted him, deliberately wraps around himself the folds of his India rubber cloak, and, lifting his umbrella over his head, tells them, drenched and shivering as they are under the beating rain and hail and snow falling upon them, that he means to take care of himself and the official corps, and that they are in the habit of expecting too much from government, and must look out for their own shelter, and security, and salvation!

And now allow me to examine, and carefully and candidly consider, the remedy which this bill offers to a suffering people for the unparalleled distresses under which they are writhing. I will first analyze and investigate it as its friends and advocates represent it. What is it? What is this measure, which has so long and so deeply agitated this country, under the various denominations of sub-Treasury, Independent Treasury, and divorce of the state from banks? What is it? Let us define it truly and clearly. Its whole principle consists in an exaction from the people of specie, in the payment of all their duties and dues to government, and the

disbursement of specie by the government, in the payment of all salaries and of all the creditors of the government. This is its simple and entire principle. Divest the bill under consideration of all its drapery and paraphernalia, this is its naked, unvarnished, and unexaggerated principle, according to its own friends. This exclusive use of specie in all receipts and payments of the government, it is true, is not to be instantaneously enforced; but that is the direct and avowed aim and object of the measure, to be accomplished gradually, but in the short space of a little more than three years. The twenty-eight sections of the bill, with all its safes, and vaults, bars, and bolts, and receivers general, and examiners, have nothing more nor less in view than the exaction of specie from the people, and the subsequent distribution of that specie among the officers of the government and the creditors of the government. It does not touch, nor profess to touch, the actual currency of the country. It leaves the local banks, where it found them, unreformed, uncontrolled, unchecked in all their operations. It is a narrow, selfish, heartless measure. It turns away from the people, and abandons them to their hard and inexorable fate; leaving them exposed to all the pernicious consequences of an unsound currency, utterly irregular and disordered exchanges, and the greatest derangement in all business. It is worse; it aggravates and perpetuates the very evils which the government will not redress: for, by going into the market and creating a new and additional demand for specie, it cripples and disables the state banks, and renders them incapable of furnishing that relief to the people which parental government is bound to exert all its energies and powers to afford. The divorce of the state from banks, of which its friends boast, is not the only separation which it makes--it is a separation of the government from the constituency--a disunion of the servants of the people from the interests of the people.

This bill, then, is wholly incommensurate with the evils under which the country is suffering. It leaves them not only altogether unprovided for, but aggravates them. It carries no word of cheering hope or encouragement to a depressed people. It leaves their languishing business in the same state of hopeless discouragement.

But its supporters argue that such a system of convertible paper as this country has so long had is radically wrong; that all our evils are to be traced to the banks; and that the sooner they are put down, and a currency exclusively metallic is established, the better. They further argued that such a metallic currency will reduce inflated prices, lower the wages of labor, enable us to manufacture cheaper and thereby admit our manufactures to maintain a successful competition with foreigners. And all these results, at some future time or other, are to be brought about by the operation of this measure.

Mr. President, in my opinion, a currency purely metallic is neither desirable, in the present state of the commercial world, nor, if it were, is it practicable, or possible to be attained in this country. And if it were possible, it could not be brought about without the most frightful and disastrous consequences, creating convulsion, if not revolution.

Of all conditions of society, that is most prosperous in which there is a gradual and regular increase of the circulating medium, and a gradual but not too rapid increase in value of property and the prices of commodities. In such a state of things, business of all kinds is active and animated, every department of it flourishes, and labor is liberally rewarded. No sacrifices are made of property, and debtors find without difficulty, the means of discharging promptly their debts. Men hold on to what they have, without the apprehension of loss, and we behold no glutted markets. Of all conditions of society, that is most adverse in which there is a constant and rapid diminution of the amount of the circulating medium. Debtors become unable to pay their debts, property falls, the market is glutted, business declines, and labor is thrown out of employment. In such a state of things, the imagination goes ahead of the reality. Sellers become numerous, from the apprehension that their property, now falling, will still lower and purchasers scarce, from an unwillingness to make investments with the hazard of almost certain loss.

Have gentlemen reflected upon the consequences of their system of depletion? I have already stated that the country is borne down by a weight of debt. If the currency be greatly diminished, as beyond all example it has been, how is this debt to be extinguished? Property, the resource on which the debtor relied for his payment, will decline in value; and it may happen that a man, who honestly contracted debt, on the faith of property which had a value, at the time, fully adequate to warrant the debt, will find himself stripped of all his property, and his debts remain unextinguished. The gentleman from Pennsylvania (Mr. Buchanan) has put the case of two nations, in one of which the amount of its currency shall be double what it is in the other and, as

he contends the prices of all property will be double in the former nation of what they are in the latter. If this be true of two nations, it must be equally true of one, whose circulating medium is at one period double what it is at another. Now as the friends of the bill argue, we have been and yet are in this inflated state, our currency has been double, or in something like that proportion, of what was necessary, and we must come down to the lowest standard. Do they not perceive that inevitable run to thousands must be the necessary consequence? A man, for example, owning property to the value of \$5,000, contracts a debt for \$5,000. By the reduction of one half of the currency of the country his property, in effect, becomes reduced to the value of \$2,500. But his debt undergoes no corresponding reduction. He gives up all his property and remains still in debt \$2,500. Thus this measure will operate on the debt or class of the nation, always the weaker class, and that which, for that reason, most needs the protection of the Government.

But, if the effect of this hard money policy upon the debtor class is still more disastrous, if possible, on the laboring classes. Enterprise will be checked or stopped, employment will become difficult, and the poorer classes will be subject to the greatest privations and boasts of the dominant party that they sought to elevate the poor by depriving the rich of undue advantages. Now their policy is to reduce the wages of labor, and this is openly avowed; and it is argued by them that it is necessary to reduce the wages of American labor to the low standard of European labor, in order to enable the American manufacturer to enter a successful competition with the European manufacturer in the sale of their respective fabrics. Thus is this dominant party perpetually changing; one day cajoling the poor, and fulminating against the rich; and next cajoling the rich, and fulminating against the poor. It was but yesterday that we heard that all who were trading on borrowed capital ought to break. It was but yesterday we heard denounced the long established policy of the country, by which it was alleged the poor were made poorer, and the rich were made richer.

Mr. President, of all the subjects of national policy, not one ought to be touched with so much delicacy as that of the wages; in other words, the bread of the poor man. In dwelling, as I have often done, with inexpressible satisfaction upon the many advantages of our country, there is not one that has given me more delight than the high prices of manual labor. There is not one which indicates more clearly the prosperity of the mass of the community. In all the features of human society there are none, I think, which more decisively display the general welfare than a permanent high rate of wages and a permanent high rate of interest. Of course, I do not mean those excessive high rates, of temporary existence, which result from sudden and unexpected demands for labor or capital, and which may and generally do, evince some unnatural and extraordinary state of things; but I mean a settled, steady, and durable high rate of wages of labor, and interest upon money. Such a state demonstrates activity and profits in all the departments of business. It proves that the employer can afford to give high wages to the laborer, in consequence of the profits of his business, and the borrower high interest to the lender, in consequence of the gains which he makes by the use of the capital. On the contrary, in countries where business is dull and languishing, and all the walks of society are full, the small profits that are made will not justify high interests or high wages.

Wages of labor will be low where there is no business, and of course but little or no demand for labor; or where from the density of population, the competition for employment is great, and the demand for labor is not equal to the supply. Similar causes will tend to reduction of the rate of interest. Our vast un-peopled regions in the west protect us against the evils of a too crowded population. In our country such is the variety of profitable business and pursuits that there is scarcely any in which can engage with diligence, integrity, and ordinary skill, in regular and ordinary times, that he is not sure of being amply rewarded. Surveying our happy condition in this respect, it was during the last war remarked by the present Lord Jeffries that America was the heaven of the poor man, and hell of the rich. There was extravagance in the observation, mixed with some truth. It would have been more accurate to have said that, with good government, was an earthly heaven both to the rich and poor.

It is contended, however, that the reduction of wages would be only nominal; that an exclusive specie currency being established, the prices of all commodities would fall, and that the laborer would be able to command as many of the necessities of life with his low wages as he can at present.

The great error of Senators on the other side is, that they do not sufficiently regard the existing structure of society, the habits and usage which prevail; in short, the actual state of things. All wise legislation

should be founded upon the condition of society as it is, and even where reform is necessary, it should be introduced slowly, cautiously, and with a careful and vigilant attention to all consequences. But gentlemen seem disposed to consider themselves at liberty to legislate for a new people just sprung into existence, and commencing its career--one for which they may, without reference to what they see all around them, speculate and theorize at pleasure. Now if we were such a people, and were deliberating on the question of what was the best medium of circulation to represent the property and transact the business of the country, it is far from being certain that it would be deemed wisest to adopt an exclusive specie standard. But, when we glance at society as it actually exists, with all its relations and ramifications, its engagements, debts, wants, habits, customs, nothing can be more unwise, it seems to me, than to attempt so radical a change as that which is contemplated.

I cannot admit that the laborer, with his low wages, would be in as eligible a situation as he now is. The argument excludes all consideration of his condition during the transition from the paper to the specie medium. In the descending process from an abundant to a scarce circulation, there would be for him nothing but distress and wretchedness; and he would be in the greatest danger of starvation before the el dorado of gentlemen was reached. The adjustment of prices to the state of the currency is not so sudden a work as is imagined. Long after the specie standard should be established, the old prices of many articles would remain; and the foreign productions which enter into the consumption of the poor man would continue unaffected by our domestic currency. If it be true that there would be no alteration in the condition of the laborer, if he would really get as much in value, in the new state of things as in the old, how is that of the capitalist, engaged in manufactures, to be improved? Would not his situation also remain unaltered?

The assumption that an exclusive hard money circulation is best for the laborer, best for the manufacturer, best for the country, is against all the experience of the world. Beyond all doubt, England is the greatest paper money country that exists. Her manufacturers find a market in every portion of the globe; her operatives and laborers are paid better than any in Europe. Have the manufacturers of the hard money countries of the continent prevailed over those of England, and driven them out of the market, in fair competition? Far from it. There policy is to exclude, by prohibitions and heavy duties, the entry of British goods into their ports. England has sought to make treat with them all, and especially with France, upon the basis of free trade and France has replied that her manufactures are too much behind those of England to admit of their being placed upon a footing of equality. Paper money--inflated--England manufactures about two thirds of all the cotton exported from the United States; and her cotton manufacture alone is probably greater than that of all the rest of Europe.

But, Mr. President, if the banishment from circulation of all bank paper, and the exclusive use of specie in this country, were desirable, is it practicable, can it be possibly brought about? I have said that the legislator is bound to have due regard to the wants, wishes, necessities, and condition of the country for which he acts. But a practical American statesman has a further duty to perform; that of attentively considering the distribution of the power of government in this confederacy. Here we have local governments for the respective states, and a general government for the whole. The general government has but few, limited, and well defined powers, the states severally possessing all power not denied to them or delegated by the Federal Constitution. Whatever difference of opinion might exist, if it were a new question, it cannot now be controverted that each of the twenty-six state governments has the power to bring into existence as many banks as it pleases. Banks have accordingly been created, and will continue; and must exist, in spite of the general government. The paper of banks will therefore remain, as it has been, a part of the general circulation, in defiance of any policy which this government may proclaim. And if one or more of the states were to adopt the hard money policy, there would be others which would find, in the very forbearance of certain members of the confederacy to establish or continue banks, a fresh motive to create and sustain them; for the issues of their banks would run into the state which had them not, and they would thus appropriate to themselves, at the expense of others, all the benefits of banking.

I recollect well how banks were originally first introduced into many of the Southern and Western states. They found themselves exposed to all the inconveniences, without enjoying the benefits, of the banking system; and they were reduced to the necessity of establishing banks to share the advantages as well as the disadvantages of the system.

Banks, bank notes, a convertible paper money, are, therefore, inevitable. There is